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Report Highlights:

Thailand will likely have a bumper set of grain crops, particularly rice, in MY 2006/07 with normal weather conditions, fueled by acreage expansion resulting from the attractive intervention prices. Thai rice exports are forecast to level off, as quotations will likely ease in anticipation of huge government stock releases. Meanwhile, corn exports are expected to continue on a downward trend due to the sustained recovery of domestic feed demand from poultry production. Also, import demand for wheat and wheat flour continues to surge in line with strong demand for wheat-based foods and feed.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Thailand will likely have a bumper set of grain crops in MY 2006/07, particularly rice and corn, following anticipated recoveries in harvest areas and average yields in response to normal weather conditions. Rice production is forecast to reach a record 18.4 million tons due to acreage expansion following attractive government intervention prices, and the improvement in average yield potential. Also, rice exports are expected to level off, as the Government will inevitably release huge stocks accumulated since MY 2004/05 to the market. This Government stock release will put heavy downward pressure on prices. This in turn will likely ease export quotations so that they will be able to compete with Vietnamese rice, particularly in premium rice markets.

Despite anticipated corn production recovery, the corn exportable supply will likely be limited by strong domestic consumption. MY 2006/07 corn exports are forecast to drop to the same level as the average annual exports during the poultry export boom period. Import demand for feed corn is expected to increase further, particularly from neighboring countries, in line with anticipated sustained recovery in poultry production. The possible reoccurrence of HPAI outbreak will likely have less impact on Thai poultry production systems due to more stringent disease surveillance and control.

MY 2006/07 wheat import demand for foods and feed use will likely remain strong in line with sustained long-term economic growth and growing western-food diet demands, fueled by the dynamic market in bakery and instant noodle products. In addition, flour mills continued to increase their production capacities for both food and feed flour. However, U.S. wheat is being more and more challenged by relatively cheaper Australian wheat, as flour millers have to optimize their cost structure by using more Australian wheat in medium protein content wheat flour in order to compete with imported flour. The recovery in feed demand, fueled by the emergent fish feed demand, is expected to accelerate import demand for low quality wheat flour.

MY 2006/07 Mung bean production is forecast to increase slightly in response to average yield improvement. However, import demand for beans will likely remain strong due to growing domestic consumption of beans. Meanwhile, bean exports are expected to continue the downward trend.

1. Rice

1.1 Production

MY 2006/07 rice production is forecast to continue a strong recovery assuming normal weather conditions. Acreage expansion is expected in major growing areas where drought hit the previous two years. Anticipated normal rain distribution will likely improve the average yield, particularly for the main crops in the north and northeast. Also, continued attractive farm prices from the Government intervention program reportedly encouraged farmers to invest in new machines and more fertilizer usage.

MY 2005/06 rice production is revised upward to 18.0 million tons due mainly to the yield improvement in the main crop. Favorable rain conditions during the reproductive stage resulted in strong recovery of average yields of the main crop, despite a contraction in cultivated area due to the delay of rain during the cultivation period. However, the quality of rice is reportedly down because of too much rain during harvest. Meanwhile, second crop production is also revised upward in response to the better-than-expected water levels in major reservoirs, leading to larger harvested area.

MY 2004/05 rice production is revised upward in line with the Thai Agricultural Ministry's latest crop survey that cut the drought-damaged area of the main crop down to only half of the previous estimate of around 8 million rai (1.3 million hectare). Also, officials have revised up the rice production series since MY 2001/02 in order to reflect the yield improvements of main crops, particularly in the northern areas. However, the sharp increase of main crop production in this revision is still controversial.

Thailand's Paddy Production

	2003/04			2004/05			2005/06			2006/07		
	Main Crop	Second Crop	Total									
Area (million hectare)												
Cultivation	9.1	1.5	10.6	9.2	1.4	10.6	9.2	1.5	10.7	9.2	1.5	10.7
Harvest	8.7	1.5	10.2	8.6	1.4	10.0	8.7	1.5	10.2	8.8	1.5	10.3
Production (million Ton)												
Rough	20.9	6.3	27.2	20.4	5.9	26.3	20.8	6.5	27.3	21.2	6.6	27.8
Rice	13.8	4.2	18.0	13.5	3.9	17.4	13.7	4.3	18.0	14.0	4.4	18.4

1.2 Consumption

Rice is the staple food for Thais. Annual per capita consumption of rice remains around 110 kilograms. The increasing trend of wheat-based production consumption remains limited to urban areas where Western foods are more popular.

Yield

Unit: Metric Ton/Hectare)

Paddy Crop	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Main	2.07	2.10	2.10	2.00	2.00	2.16	2.20	2.38	2.27	2.29	2.21	2.25	2.29
Second	4.07	4.20	4.25	4.18	4.18	4.10	4.25	4.20	4.25	4.20	4.13	4.30	4.34
Total	2.17	2.30	2.38	2.37	2.37	2.37	2.40	2.61	2.57	2.56	2.47	2.54	2.58

Farm-gate Price

unit: Baht/Ton

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Paddy 5%	4,052	5,180	5,472	6,620	5,570	4,900	4,484	4,770	5,090	5,491	6,607

1.3 Trade/Competition

Rice exports are forecast to rebound in CY 2007, as the price difference with major competitors like Vietnam will likely narrow. The Government will eventually release huge intervention stocks accumulated during MY 2005/06 – MY 2006/07 in order to have enough space and cash flow for new intervention program purchases. The government stock releases will inevitably put downward pressure on export prices, which are expected to make Thai rice more competitive, particularly for the premium rice markets in the Middle East countries, and also in the inferior rice markets in African countries.

In CY 2006, rice exports are unlikely to recover from earlier setbacks due to continued intense price competition with Vietnamese white rice and Indian parboiled rice. Presently, Vietnamese white rice is around US\$ 40-50/MT cheaper than Thai white rice, as compared to the customary difference of around US\$ 20-30/MT. The bigger difference in prices mainly reflected tighter exportable supplies, which were caused by the aggressive government intervention program. Exporters faced difficulties in sourcing white rice and fragrant rice domestically. However, import demand for Thai premium white rice from Iran and Iraq will likely remain strong, as supplies of Vietnamese premium rice are limited.

As for CY 2005, Thai rice exports declined sharply to 7.3 million tons in line with white rice exports. The Thai white rice market in African countries, accounting for about 40 percent of total white rice exports, was lost to Vietnamese rice, some US\$ 20-30/MT cheaper. This big difference in prices worsened even the superior quality white rice market in the Middle East, particularly Iran. Also, parboiled rice exports, accounting for about 25 percent of total rice exports, dropped sharply to 1.9 million tons, compared to 2.2 million tons in the previous year, due to strong competition from Indian parboiled rice. Meanwhile, fragrant rice exports continued to grow to 2.3 million tons, up slightly from the previous year, despite strong competition from another rice strain, Pathumthani fragrant rice, about US\$ 100/MT cheaper. Import demand for Thai Fragrant rice in the top three markets (Senegal, the United States, and China) is subdued in light of the emergent Pathumthani fragrant demand.

1.4 Stock

MY 2006/07 rice stocks will likely surge to a record level in anticipation of a bumper crop together with huge carry-over stock of the government intervention program. This stock will put downward pressure on domestic prices, as the Government will eventually release the stocks to the market in order to have enough space for new intervention program purchases.

Current outstanding rice stocks of the government intervention program surged to around 4.5 million tons, of which around 1.0 million tons are from MY 2004/05 program, mostly fragrant rice, and 3.4 million tons are current crop (MY 2005/06 crop), including 1.6 million tons of white rice and 1.7 million tons of fragrant rice. The recent government stock tender (Feb. 2006) for the rest of the white rice from the MY 2004/05 crop (around 700,000 tons, mostly 5% grade white rice) awarded almost all of the amount to President Agri Trading at prices higher than market prices, as in the previous two years. All of this rice is required to be exported.

1.5 Policy

The Government is expected to stabilize domestic prices for paddy through the intervention program. However, further increases in the intervention prices will likely be limited by the government budget and the downward trend of market prices.

The intervention program was more aggressive in MY 2005/06, as intervention prices were 300-500 baht/ton (roughly US\$ 8-13/MT) higher over the previous year's levels for the main crop. As of the end of the MY 2005/06 main crop intervention program (Nov. 1, 2005 – Feb. 28, 2006), the Government bought a record 5.2 million tons of paddy, of which 2.6 million tons were fragrant rice, and 2.5 million tons were white rice. The number of farmers participating in this program increased significantly, in response to higher intervention prices. In addition, the intervention prices for the second crop, running Mar. 16 – Jul. 31, 2006, were the same as those of the main crop, but still higher than the previous year's levels by 400 bath/ton (roughly US\$ 10/MT) for all grades of rice.

Paddy Price Under Price Support Program (Baht/Metric Ton)

		Paddy						Glutinous paddy	
		Jasmine	100%	5%	10%	15%	25%	long grain	mixed grd
1992/93	Target price	4,200	4,200	4,100	4,000	3,900	3,800	3,450	3,150
	Loan Price	3,780	3,780	3,690	3,600	3,510	3,420	3,105	2,835
1993/94	Target price	4,200	4,000	3,900	3,700	3,600	3,400	3,450	3,150
	Loan Price	3,780	3,600	3,510	3,330	3,240	3,060	3,105	2,835
1994/95	Target price	4,244	4,044	3,944	3,744	3,644	3,444	3,494	3,194
	Loan Price	3,820	3,640	3,550	3,370	3,280	3,100	3,145	2,875
1995/96	Target price	4,600	4,400	4,300	4,100	4,000	3,800	3,850	3,550
	Loan Price	4,140	3,960	3,870	3,690	3,600	3,420	3,465	3,195
1996/97	Target price	4,760	7,550	4,450	4,240	4,140	3,930	3,980	3,670
	Loan Price	4,280	4,095	4,005	3,815	3,725	3,535	3,580	3,300
1997/98	Target price	5,290	4,640	4,540	4,340	4,240	4,040	4,730	4,430
	Loan Price	4,760	4,175	4,085	3,905	3,815	3,635	4,255	3,985
1998/99	Target price	6,840	5,560	5,460	5,260	5,160	4,960	6,200	5,900
	Loan Price	6,155	5,000	4,910	4,730	4,640	4,460	5,580	5,310
1999/00	Target price	6,840	5,560	5,460	5,260	5,160	4,960	6,200	5,900
	Loan Price	6,495	5,280	5,180	4,995	4,900	4,710	5,890	5,605
2000/01	Target price	6,840	5,560	5,460	5,260	5,160	4,960	6,200	5,900
	Loan Price	6,495	5,280	5,185	4,995	4,900	4,710	5,890	5,605
2001/02	Target price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Loan Price	6,500	5,330	5,235	5,045	4,950	4,760	5,900	5,650
2002/03	Target price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Loan Price	6,800	5,330	5,235	5,045	4,950	4,760	5,900	5,650
2003/04	Target price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Loan Price	7,000	5,330	5,235	5,045	4,950	4,760	5,900	5,650
2004/05	Target price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Loan Price	9,700	6,600	6,500	6,400	6,300	6,200	7,200	7,000
2005/06	Target price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Loan Price	10,000	7,100	7,000	6,900	6,800	6,700	7,700	7,500

Source: Department of Internal Trade, Ministry of Commerce

Paddy Mortgage Scheme

Paddy Mortgage Scheme

Year	Number of Farmers	Paddy Pledges (Metric Ton)	Value (Thousand Baht)
1993	465,774	3,383,324	10,550,210
1994	199,956	1,202,718	3,664,220
1995	211,409	1,402,931	4,229,400
1996	181,999	1,181,259	3,938,743
1997	123,870	865,113	2,968,657
1998	111,107	786,363	2,938,730
1999	116,335	677,278	3,262,777
2000	113,062	697,756	3,286,433
2001	168,483	1,618,496	8,124,849
2002	683,769	6,140,902	32,204,585
2003	497,906	5,648,743	28,842,690
2004	177,137	2,608,234	12,440,180
2005	546,503	5,503,519	44,151,600
2006 1/	608,715	4,962,612	42,273,640

1/ As of March 13, 2005

Source: Bank for Agriculture and Agricultural Cooperatives (BAAC)

WTO Agreement on Market Access

unit: Metric Ton

Year	Paddy	Husked Rice	Milled Rice	Brokens	Total
1995	95,145.00	95,145.00	23,786.50	23,786.50	237,863.00
1996	95,673.83	95,145.00	23,918.45	23,918.45	239,184.56
1997	n.a.	n.a.	n.a.	n.a.	240,506.11
1998	n.a.	n.a.	n.a.	n.a.	241,827.67
1999	n.a.	n.a.	n.a.	n.a.	243,149.22
2000	n.a.	n.a.	n.a.	n.a.	244,470.78
2001	n.a.	n.a.	n.a.	n.a.	245,792.33
2002	n.a.	n.a.	n.a.	n.a.	247,113.89
2003	n.a.	n.a.	n.a.	n.a.	248,435.44
2004	n.a.	n.a.	n.a.	n.a.	249,757.00
2005	n.a.	n.a.	n.a.	n.a.	249,757.00
2006	n.a.	n.a.	n.a.	n.a.	249,757.00

Source: Department of Foreign Trade, Ministry of Commerce

Statistic Tables

Table 1.1: Thailand's Production, Supply and Demand for Rice

	PSD Table					
	Country Thailand					
	Commodity Rice, Milled					
	(1000 HA)(1000 MT)					
	2004		2005		2006	
	Revised		Estimate		Forecast	
	USDA	Post	USDA	Post	USDA	Post
	Official	Estimate[Official	Estimate[Official	Estimate[
	[Old]	New]	[Old]	New]	[Old]	New]
Market Year Begin	01/2005		01/2006		01/2007	
Area Harvested	9815	9995	10165	10215	0	10340
Beginning Stocks	1706	1703	2022	2279	3432	3779
Milled Production	17070	17360	17900	18000	0	18350
Rough Production	25864	26303	27121	27273	0	27803
MILLING RATE (.9999)	6600	6600	6600	6600	0	6600
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	18776	19063	19922	20279	3432	22129
TOTAL Exports	7274	7304	7000	7000	0	7600
Jan-Dec Exports	7274	7304	7000	7000	0	7600
TOTAL Dom. Consumption	9480	9480	9490	9500	0	9570
Ending Stocks	2022	2279	3432	3779	0	4959
TOTAL DISTRIBUTION	18776	19063	19922	20279	0	22129

Table 1.2: Wholesale Prices of White Rice

Prices Table				
Country	Thailand			
Commodity	Rice, Milled			
Prices in		Baht	per uom	Kilogram
Year	2004	2005	% Change	
Jan	8.09	10.69	32%	
Feb	8.15	10.75	32%	
Mar	9.04	11.01	22%	
Apr	9.01	11.35	26%	
May	8.96	11.27	26%	
Jun	8.96	11.22	25%	
Jul	9.1	11.1	22%	
Aug	9.5	11.25	18%	
Sep	9.3	11.59	25%	
Oct	9.67	11.33	17%	
Nov	10.05	11.05	10%	
Dec	10.46	11.13	6%	

Exchange Rate **38.99** Local Currency/US \$
Date of Quote **3/2/2006** MM/DD/YYYY

Table 1.3: Thailand's Rice Exports

Export Trade Matrix

Country Thailand
Commodity Rice, Milled

Time Period	Jan. - Dec.	Units:	Metric Tons
Exports for:	2004		2005
U.S.	367677	U.S.	346020
Others		Others	
Nigeria	839426	Nigeria	601969
Senegal	569792	Senegal	494649
Indonesia	155739	Indonesia	119792
Iran	610582	Iran	160481
Cote D'Ivoire	398835	Cote D'Ivoire	298301
South Africa	814271	South Africa	455083
China	698091	China	490134
Hong Kong	287432	Hong Kong	303262
Malaysia	457378	Malaysia	417381
Singapore	205765	Singapore	172916
Total for Others	5037311		3513968
Others not Listed	4735236		3444358
Grand Total	10140224		7304346

Table 1.4: Thailand’s Rice Imports

Import Trade Matrix

Country Thailand
Commodity Rice, Milled

Time Period: Units:
Imports for:
U.S. U.S.
Others Others

China	0	China	22
Australia	473	Australia	323
Pakistan	77	Pakistan	138
Japan	15	Japan	8
India	60	India	178
Italy	14	Italy	14
Laos	422	Laos	859
Total for Others	1061		1542
Others not Listed	<input type="text" value="20"/>		<input type="text" value="930"/>
Grand Total	1100		2472

2. Corn

2.1 Production

MY 2006/07 corn production is forecast to increase slightly in anticipation of favorable weather conditions. Planted area will likely remain unchanged from the previous year, as the current farmgate prices are quite stable. However, harvested area and average yield are expected to recover from the previous year, given normal rain distribution.

MY 2005/06 corn production is revised downward slightly because growing areas in the Northeast, accounting for about 20 percent of total production, were adversely affected by poor distribution of rain which dampened the average yield of main crop corn. Meanwhile, second crop production increased slightly due to average yield improvement from the favorable weather conditions.

2.2 Consumption

MY 2006/07 feed demand will likely continue to grow to around 10-11 million tons in line with a sustained recovery in livestock production, particularly for poultry, after the outbreak of Highly Pathogenic Avian Influenza (HPAI) in 2004. Most Thai broiler entrepreneurs reportedly expect a strong recovery in poultry production over the medium term due to no disease threats to commercial poultry farms and good prospects for domestic consumption and cooked poultry exports. Feed corn consumption is forecast to grow by 5-6 percent from the previous year.

MY 2005/06 feed corn consumption is revised upward to 4.0 million tons due mainly to the strong recovery in poultry production. The reoccurrence of HPAI for the third time in July 2005 was less serious than the earlier outbreaks (January - May 2004 and July 2004 – April 2005) due to more stringent disease surveillance and control.

2.3 Trade

MY 2006/07 corn exports are forecast to continue their downward trend due to limited exportable supplies resulting from the recovery in domestic demand for feed corn. Corn exports are expected to drop back to the average annual exports around 150,000 tons, during the poultry export boom period, despite the continued import suspensions on uncooked meat by importing countries.

MY 2005/06 corn exports will likely shrink to 170,000 tons, down significantly from the previous year. The Republic of Korea stopped buying Thai corn due to limited supplies of premium corn. In addition, major importing countries, Malaysia in particular, shifted to relatively cheaper Cambodian corn. Chinese-Malaysian grain traders reportedly invested in grain storage facilities in Cambodia and exported Cambodian corn directly to Malaysia. However, Indonesia remains a dominant market for Thai corn due to freight cost advantages. Moreover, Argentine corn prices are experiencing upward pressures due to limited exportable supplies resulting from unfavorable crops and strong domestic feed demand. Prices of Argentine corn recently surged to be close to U.S. Gulf levels, as compared to the customary difference of around U.S.\$ 10-12/MT. Meanwhile, Thai corn is quoted at around U.S.\$ 132-134/MT FOB, which is quite competitive even with Chinese corn. This also resulted in a sharp increase in Thai corn exports to Vietnam in CY 2005. As for Thai import demand for corn, corn imports in MY 2006/07 will likely continue to increase. Most corn will come from neighboring countries, particularly from Laos and Cambodia, as these countries enjoy a duty-free privilege under the Joint Economic Cooperation Strategy Program. Meanwhile, MY

2005/06 corn imported from Cambodia is expected to be limited by tight exportable supplies resulting from continued unfavorable crops.

2.4 Policy

The Government still utilizes a mortgage program to stabilize domestic prices during the harvest period. The MY 2005/06 program, running September 1 – December 31, 2005, bought 116,744 metric tons of corn, up significantly from the previous year's levels of 42,854 metric tons, as the Government set higher loan rates. The loan rates were set at 4.75 baht/kg (roughly US\$ 119/MT) during September – November, and up to 5 baht/kg (roughly US\$ 125/MT), as compared to 4.4 baht/kg (roughly US\$ 110/MT) for 14.5% moisture content.

Under corn import policy, following the WTO agreement, the import quota in 2006 is 54,700 metric tons at a 20 percent in-quota tariff rate. The shipments will be allowed only during the period of March 1 – June 30, 2006 when domestic production is minimal. Meanwhile, out-of-quota imports are subject to a 73 percent tariff rate with a surcharge of 180 baht/ton. On non-WTO countries, the tariff will be at 2.75 baht/kg, with a special charge of 10.22 percent (sum of both of these charges is close to 73 percent), plus a surcharge of 180 baht/kg. However, according to the Joint Economic Cooperation Strategy, for cooperation between Cambodia, Laos, Burma, and Thailand, imports of feed corn from these countries by the other countries are duty free without any quota throughout the year. In addition, imports from FTA countries are subject to a 5 percent tariff rate without any surcharge and quota.

Statistic Tables

Table 2.1: Thailand's Production, Supply and Demand for Corn

Commodity	2004		2005		2006	
	Revised		Estimate		Forecast	
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]
	07/2004		07/2005		07/2006	
Market Year Begin						
Area Harvested	1130	1128	1130	1110	0	1130
Beginning Stocks	263	176	214	333	154	223
Production	4000	4210	4140	4100	0	4250
TOTAL Mkt. Yr. Imports	10	97	50	60	0	80
Oct-Sep Imports	10	86	50	60	0	80
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	4273	4483	4404	4493	154	4553
TOTAL Mkt. Yr. Exports	459	450	250	170	0	150
Oct-Sep Exports	396	387	250	170	0	150
Feed Dom.	3500	3600	3900	4000	0	4100
Consumption						
TOTAL Dom. Consumption	3600	3700	4000	4100	0	4200
Ending Stocks	214	333	154	223	0	203
TOTAL DISTRIBUTION	4273	4483	4404	4493	0	4553

Table 2.2: Wholesale Prices of Corn

Prices Table			
Country	Thailand		
Commodity	Corn		
Prices in	Baht	per uom	Metric Ton
Year	2004	2005	% Change
Jan	4875	5444	12%
Feb	4681	5496	17%
Mar	5340	5487	3%
Apr	7643	5485	-28%
May	7133	5452	-24%
Jun	7153	5443	-24%
Jul	-	5560	#VALUE!
Aug	4911	5469	11%
Sep	4585	5393	18%
Oct	4741	5526	17%
Nov	5073	5552	9%
Dec	5381	5397	0%

Exchange Rate 38.99 Local Currency/US \$
Date of Quote 3/2/2006 MM/DD/YYYY

Table 2.3: Thailand’s Corn Exports

Export Trade Matrix

Country Thailand
Commodity Corn

Time Period: Jan. - Dec.
Exports for: 2004
U.S.: 12
Others

Units: Metric Ton
2005
U.S.: 12
Others

Malaysia	346185	Malaysia	19655
Taiwan	49709	Taiwan	4228
Singapore	6800	Singapore	254
Indonesia	206759	Indonesia	18052
Burma	485	Burma	295
Hong Kong	14830	Hong Kong	1683
Japan	1310	Japan	1454
South Korea	263475	South Korea	0
Vietnam	53312	Vietnam	15209
Total for Others	942865		60830
Others not Listed	221		2364
Grand Total	943098		63206

Table 2.4: Thailand’s Corn Imports

Import Trade Matrix

Country Thailand
Commodity Corn

Time Period: Units:
 Imports for: **2005**
 U.S.: U.S.:
 Others Others

Lao Rep.	31378	Lao Rep.	39313
Cambodia	44350	Cambodia	19551
Burma	25	Burma	15
Total for Others	75753		58879
Others not Listed	<input type="text" value="0"/>		<input type="text"/>
Grand Total	75753		58879

3. Wheat

3.1 Production

Wheat production remains insignificant, as acreage expansion is constrained by climatic conditions, limited seed development, and unattractive returns. Cultivation is limited to only around 550 hectares, producing about 500-600 metric tons. Major planted areas are in the northern region, particularly Maehongson province, which has about 80 percent of the total planted area. The average yield is approximately 150-180 kg/rai (0.9 – 1.1 tons/hectare)

3.2 Consumption

MY 2006/07 wheat consumption is forecast to continue its upward trend in line with sustained economic growth. Demand for wheat-based foods will likely be driven by anticipated higher incomes and growing urbanization together with a healthy hospitality business. Current annual per capita consumption of wheat remains low at around 16 kilograms, accounting for only around 10 percent of per capita consumption of rice, which is the Thai staple food, eaten three times a day. However, per capita consumption of wheat trends upward in anticipation of sustained long-term economic growth and growing western-food diet demand, fueled by dynamic markets in bakery and instant noodle products. The markets for these products, accounting for about 60-70 percent of total wheat consumption, are expected to continue their double-digit growth. In addition, bakery goods and instant noodle consumption will likely surge in the first half of MY 2006/07, following the extra light meal customarily taken during the World Cup game live broadcasts on TV at around midnight. Also, demand for wheat-based feed is forecast to grow further in response to strong recovery in shrimp farms, following strong export potentials, particularly to the U.S. In addition, two new flour mills reportedly increased their production capacities by around 30 percent in anticipation of strong wheat flour demand, particularly in feed industries.

MY 2005/06 wheat consumption is revised upward, reflecting strong demand for feed consumption that accounted for about 30 percent of total wheat consumption. Feed wheat demand will likely surge in response to the recovery in shrimp farms and sharp increases in fish farms. Thai frozen shrimp exports are expected to continue double digit growth, as import demand from U.S. remains strong due to insufficient domestic supplies resulting from Hurricane Katrina damaged shrimp farms in the first half of the year. Also, the U.S. anti-dumping duty is still comparatively low for Thai shrimp at 5.29-6.82 percent. However, demand for shrimp feed is reportedly not so strong as a sharp increase in shrimp production comes due to improvements in shrimp farm productivity, following the production shift from black tiger shrimp to white shrimp. Presently, white shrimp production accounts for about 95 percent of total shrimp production. Meanwhile, fish feed is expected to grow considerably in response to anticipated acreage expansion in fish farms resulting from increasing domestic fish consumption since the HPAI outbreak, as fish is relatively cheaper than pork meat. However, the specification for wheat used for fish feed is not as high as that of shrimp feed, leading to greater opportunities for relatively cheaper imported wheat flour whose quality is lower than the domestically produced wheat flour.

The wholesale prices of local wheat flour declined by around 10 percent, particularly for premium bread flour, in response to a reduction in the price of high protein content flours and strong competition from relatively cheaper imported flour resulting from a reduction in tariff rate on wheat flour. In addition, flour mills lowered the premium flour specifications by using more lower protein content wheat, 14-14.5 percent protein content DNS instead of 15 percent protein content wheat due to a big difference in imported prices of around US\$ 15-20/MT. Also the prices of all-purpose flour, including noodle flour, continued to decline from the previous year due to strong competition from relatively cheaper imported flour from

China and Vietnam. However, prices of cake flour and premium all-purpose flour remained unchanged because these flours occupy niche markets, which are so sensitive to quality that imported flour cannot compete with local flour. In addition, the prices of biscuit flour remained steady because the prices are reportedly close to those of imported flour.

Wholesales Prices of Local Wheat Flour

Wheat Flour	Protein Content (%)	Wholesale Prices	
		Baht/bag (22 kg.)	U.S. cent /pound
Bread	13.5 - 14.0	410 - 420	21
Noodle	11.5 - 12.0	370 - 380	19
All Purpose	10.0 - 10.5	410 - 420	21
Cake	10	500 - 530	26 - 27
Biscuit	8 - 10	310 - 320	16

3.3 Trade

MY 2006/07 wheat imports are forecast to continue the upward trend in line with strong wheat demand for food and feed consumption. The U.S. is still a major supplier of high protein content wheat, which is usually used to produce premium bread flour, due to limited supplies of high protein wheat of other competitors, Australia in particular. However, Australian wheat will likely gain more market share in medium protein content, particularly in instant noodle flour industries, as it is cheaper by U.S.\$ 3-4/MT, following its bumper crop and the free trade agreement that brings Australian wheat duty free. Also, Australian wheat currently has a transportation cost advantage for Thai flour millers because major Thai feed mills regularly import Australian wheat on a monthly basis of around 20,000 metric tons, which easily manages combined cargoes for the 30,000 ton-weight vessels. Current import prices of high protein content wheat remained unchanged at high levels, around US\$ 235/MT for 14.5 % protein content DNS. However, those of low protein content wheat were under downward pressure due to anticipated favorable crops of the major suppliers, including both Australia and the U.S.

MY 2005/06 wheat imports are revised upward due to a surge in wheat demand for food and feed. In the first half of MY 2005/06 wheat imports reached a record 647,639 metric tons, up around 40 percent from the same period of the previous year. Imports of U.S. wheat also surged to a record 348,500 metric tons, up around 50 percent from the previous year. In addition, imports of Australian wheat continued to increase. The increase was also partly due to the result of the expansion of production capacity of the recent two new flour mills to around 800-900 tons/day, as compared to current capacity of around 500-600 tons/day. Moreover, one older flour mill, which is a major wheat flour supplier for the Thai dominant instant noodle manufacturer, also increased production capacity by 60 percent in line with the growing instant noodle demand.

As for wheat flour, imports will likely remain strong following the recovery in feed demand on shrimp and fish farms and growing instant noodle consumption. Also, prices of imported flour are attractive due to a low tariff rate of 5 percent, as compared to 25.5 percent in the past. In CY 2005, imports of wheat flour from Vietnam and Australia continued to increase considerably. However, local flour millers currently can compete with imported flour by lowering prices but margins reportedly were minimal.

3.4 Policy

The tariff rate on imported wheat is at 0.1 baht/kg (roughly U.S.\$ 2.5/MT). Meanwhile, the tariff rate on wheat flour is at 5 percent (0.5 baht/kg). Local flour millers are now less concerned with the current tariff structure because they now can compete with imported flour due to their restructured cost. However, this change will likely dampen market potential for the U.S. wheat, as the mills use more relatively cheaper Australian wheat to blend with the U.S. wheat, particularly for medium protein flours. Meanwhile, premium flour is not affected by the tariff reduction for imported flour or even by the duty-free Australian wheat due to limited supplies of imported premium flour and Australian wheat.

Statistic Tables

Table 3.1: Thailand's Production, Supply and Demand for Wheat

PSD Table**Country Thailand****Commodity Wheat**

(1000 HA)(1000 MT)

	2004		2005		2006	
	Revised		Estimate		Forecast	
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]
Market Year Begin	07/2004		07/2005		07/2006	
Area Harvested	0	0	0	0	0	0
Beginning Stocks	468	566	469	640	439	645
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1081	1086	1100	1120	0	1190
Jul-Jun Imports	1081	1086	1100	1120	0	1190
Jul-Jun Import U.S.	415	428	0	520	0	540
TOTAL SUPPLY	1549	1652	1569	1760	439	1835
TOTAL Mkt. Yr. Exports	80	12	80	15	0	20
Jul-Jun Exports	80	12	80	15	0	20
Feed Dom.	260	270	280	300	0	320
Consumption						
TOTAL Dom. Consumption	1000	1000	1050	1100	0	1210
Ending Stocks	469	640	439	645	0	605
TOTAL DISTRIBUTION	1549	1652	1569	1760	0	1835

Table 3.2: Thailand’s Wheat Grain Imports

**Import
Trade
Matrix**
Country Thailand
Commodity Wheat (Grain)

Time Period	Jan. - Dec.	Units:	Metric Ton
Imports for:	2004		2005
U.S.	425771	U.S.	551955
Others		Others	
Australia	352463	Australia	573214
Canada	163249	Canada	23071
India	168	India	122
Total for Others	515880		596407
Others not Listed	1134		1
Grand Total	942785		1148363

Table 3.3: Thailand’s Wheat Flour Imports

Import Trade Matrix

Country Thailand
Commodity Wheat (Flour)

Time Period: Jan. - Dec. Units: Metric Ton

Imports for: 2004 **2005**

U.S.: 2 U.S.: 3

Others Others

Singapore	10988	Singapore	9269
Japan	17978	Japan	8692
Australia	5429	Australia	6971
Malaysia	4510	Malaysia	3402
Belgium	1876	Belgium	1428
Vietnam	903	Vietnam	11969
China	12967	China	11914
Total for Others	54651		53645
Others not Listed	2671		2734
Grand Total	57324		56382

4. Beans

4.1 Production

MY 2006 beans and pulse production is forecast to increase slightly in anticipation of favorable weather conditions. The increase reflects mainly the improvement in average yields. Meanwhile, the acreage expansion will likely be limited by unattractive returns as compared to other crops like tapioca and sugarcane, despite the current high farmgate prices of around 17.24 baht/kg, up 10 percent from the previous year. In MY 2005, beans and pulse production is revised upward slightly due mainly to better-than-expected weather conditions.

4.2 Consumption

MY 2006 beans and pulse consumption is forecast to continue the upward trend. Most Mung beans are raw material for vermicelli, accounting for about half of total Mung bean use. The vermicelli by-products are normally used as feedstuffs. Also, Mung beans are used to produce other kinds of foodstuffs, such as bean flour, bean sprouts and cake, and various confectionary items. However, Mung beans prices are considered to be too high to use directly for feedstuffs.

Current wholesale prices of Mung beans increased significantly to 24.5 baht/kg (roughly U.S.\$ 613/MT). Also, the average wholesale prices of Mung beans in CY 2005 surged to a record 22 baht/kg. (roughly U.S.\$ 550/MT), as compared to 16 baht/kg. (roughly U.S.\$ 400/MT) in the previous year. The sharp increase mainly reflects the tight supply situation resulting from drought.

4.3 Trade

MY 2006 beans and pulse exports are forecast to continue the downward trend in response to limited exportable supplies. Also, Thai Mung beans prices cannot compete with major competitors like Burma. In MY 2005, Mung bean exports will likely continue to decline, even those to nearby countries like Indonesia, Malaysia, and Hong Kong. Burma is expected to gain more market share in these countries, as Thai Mung bean export prices remain at high levels.

As for Mung bean imports, import demand is estimated to grow further due to the shortfall in domestic production. In MY 2005, Mung bean imports will likely continue to surge in response to insufficient domestic supplies. Almost all imports are from Burma.

4.4 Policy

Mung beans are considered to be a minor crop. The Government does not offer any intervention program. The crop is encouraged by the Government as a second crop to replace paddy.

Statistic Tables

Table 4.1: Thailand's Production, Supply and Demand for Beans

PSD Table**Country Thailand****Commodity Beans**

(1000 HA)(1000 MT)

	2004		2005		2006	
	Revised		Estimate		Forecast	
	USDA	Post	USDA	Post	USDA	Post
	Official	Estimate[Official	Estimate[Official	Estimate[
	[Old]	New]	[Old]	New]	[Old]	New]
Market Year Begin	01/2004		01/2005		01/2006	
Area Harvested	0	285	0	280	0	285
Beginning Stocks	0	18	0	15	0	7
Production	0	243	0	245	0	255
TOTAL Mkt. Yr. Imports	0	6	0	8	0	12
Jul-Jun Imports	0	7	0	10	0	13
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	0	267	0	268	0	274
TOTAL Mkt. Yr. Exports	0	12	0	11	0	10
Jul-Jun Exports	0	12	0	9	0	8
Feed Dom.	0	4	0	5	0	6
Consumption						
TOTAL Dom.	0	240	0	250	0	260
Consumption						
Ending Stocks	0	15	0	7	0	4
TOTAL DISTRIBUTION	0	267	0	268	0	274

Table 4.2: Farmgate Prices of Mung Beans

Prices Table			
Country	Thailand		
Commodity	Beans		
Prices in	Baht	per uom	Metric Ton
Year	2004	2005	% Change
Jan	13440	15620	16%
Feb	15010	16290	9%
Mar	14830	18920	28%
Apr	15460	19610	27%
May	15460	-	#VALUE!
Jun	13280	-	#VALUE!
Jul	13750	16000	16%
Aug	12740	18060	42%
Sep	12490	17470	40%
Oct	13220	19190	45%
Nov	14540	18000	24%
Dec	15160	15670	3%

Exchange Rate 38.99 Local Currency/US \$
Date of Quote 3/2/2006 MM/DD/YYYY

Table 4.3: Thailand’s Mung Bean Exports

Export Trade Matrix

Country Thailand
Commodity Beans

Time Period: Jan. - Dec.
Exports for: 2004
U.S.: 2170
Others

Units: Metric Ton
2005
U.S.: 2089
Others

Cambodia	1	Cambodia	0
Hong Kong	1573	Hong Kong	1323
India	386	India	442
Indonesia	600	Indonesia	440
Japan	972	Japan	827
Malaysia	746	Malaysia	521
Pakistan	3197	Pakistan	1341
Philippines	44	Philippines	737
Singapore	652	Singapore	795
Sri Lanka	322	Sri Lanka	1144
Total for Others	8493		7570
Others not Listed	1713		1752
Grand Total	12376		11411

Table 4.4: Thailand’s Mung Bean Imports

**Import
Trade
Matrix**
Country Thailand
Commodity Beans

Time Period Units:
 Imports for: **2005**
 U.S. U.S.
 Others Others

Burma	5933	Burma	7607
Malaysia	46	Malaysia	65
Indonesia	104	Indonesia	136
China	1	China	0

Total for Others 6084 7808
 Others not Listed
 Grand Total 6084 7942

End of Report.